INTEREST ONLY MORTGAGE

An interest-only mortgage might be a good fit for:

- someone whose income is mostly in the form of infrequent commissions or bonuses;
- someone who expects to earn a lot more in a few years;
- someone who truly will invest the savings on the difference between an interest-only mortgage and an amortizing mortgage, and who is confident that the investments will make money.

With an interest-only mortgage loan, you pay only the interest on the mortgage in monthly payments for a fixed term. After the end of that term, usually five to seven years, you either refinance, pay the balance in a lump sum, or start paying off the principal, in which case the payments jump skyward.

An interest-only mortgage would provide the lowest possible monthly payment for lean months, yet allow the executive to pay down big chunks of principal when bonus time rolls around. They can help maximize temporary cash flows as much as possible, and of course, you have the option of paying down principal whenever you want.